

Message Text

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ACTION EB-11

INFO OCT-01 AF-10 ADP-00 AID-20 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 INT-08 GSA-01 OEP-01 L-03 NSC-10

SS-15 STR-08 CEA-02 PA-03 PRS-01 USIA-12 H-02 RSR-01

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R 251415 Z JUN 73

FM AMEMBASSY LUSAKA

TO SECSTATE WASHDC 9028

INFO AMEMBASSY KINSHASA

C O N F I D E N T I A L LUSAKA 1145

E. O. 11652: GDS

TAGS: EIND, EMIN, ZA

SUBJ: ZAMBIA PROTESTS COBALT STOCKPILE SALES

REF: STATE 70367

1. BY DIPLOMATIC NOTE DATED JUNE 15 AND MARKED " SECRET",
GRG HAS PROTESTED US COBALT SALES FROM STRATEGIC STOCKPILE.
PERTINENT SUBSTANTIVE PORTIONS NOTE GIVEN PARA TWO - FIVE
BELOW:

2. QUOTE: THE ZAMBIAN GOVERNMENT HAS LEARNED WITH GREAT
DISMAY THROUGH THE MEDIUM OF THE PRESS THAT THE UNITED STATES
GOVERNMENT HAS ALREADY BEEN RELEASING HEAVY TONNAGES OF COBALT
ONTO THE MARKET AT PRICES WHICH ARE BELOW THE CURRENT WORLD
PRICE OF 3.00 DOLLARS PER LB. IT HAS FURTHER LEARNT THAT THE
TARGET DISPOSAL IS APPROXIMATELY 500 TONS A MONTH AT LEAST.
THIS IS AN ABNORMALLY LARGE QUANTITY OF COBALT, ESPECIALLY
WHEN THE OVER- CAPACITY EXISITING IN THE INDUSTRY IS TAKEN INTO
ACCOUNT.

3. QUOTE: THE PRICE OF COBALT HAS ONLY BEEN INCREASED BY 8
PERCENT BETWEEN NOVEMBER 1969 AND FEBRUARY 1973, AND ANY OTHER
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ADJUSTMENTS IN THE PRICE WERE DUE TO A REALIGNMENT OF CURRENCIES. AN 8 PERCENT RISE OVER THREE YEARS IS REASONABLE, ESPECIALLY IN THE FACE OF THE COST INFLATION WHICH PRODUCERS HAVE HAD TO FACE. WHILE THEREFORE THE ZAMBIAN GOVERNMENT APPRECIATES THE CONCERN OF THE UNITED STATES GOVERNMENT TO MAINTAIN A HEALTHY ECONOMY, IT IS STRONGLY OF THE VIEW THAT THE MODEST RISE IN THE PRICE OF COBALT HAS NOT AFFECTED THAT ECONOMY ADVERSELY.

4. QUOTE: ON THE CONTRARY THE ZAMBIAN GOVERNMENT BELIEVES THAT THE RELEASES WILL DO IRREPARABLE DAMAGE TO THE ECONOMIES OF THOSE DEVELOPING COUNTRIES WHICH PRODUCE AND RELY HEAVILY ON COBALT FOR THEIR NATIONAL REVENUES. THE CONTINUED RELEASE OF LARGE QUANTITIES OF THE METAL WILL FORCE DOWN WORLD PRICES AND THEREBY UNDERMINE THE ECONOMIC INTERESTS OF DEVELOPING COUNTRIES, AND PUT IN JEOPARDY THEIR HEAVY INVESTMENTS IN THIS INDUSTRY.

5. QUOTE: THE ZAMBIAN GOVERNMENT'S CURRENT DIFFICULTIES ARISING OUT OF THE BORDER CLOSURE ARE WELL KNOWN TO THE AMERICAN GOVERNMENT, AS EVIDENCED BY THE SUPPORT GIVEN TO ZAMBIA OVER THE SECURITY COUNCIL RESOLUTION RECENTLY. THE ZAMBIAN GOVERNMENT IS CONFIDENT THAT IN LINE WITH THE SPIRIT OF THAT RESOLUTION THE AMERICAN GOVERNMENT WILL REFRAIN FROM TAKING ANY ACTION WHICH WILL UNDERMINE THE ABILITY OF THE ZAMBIAN GOVERNMENT TO OVERCOME THE PRESENT ECONOMIC CRISIS. END QUOTE

6. ZAMBIAN COBALT PRODUCTION APPROXIMATELY 2,000 METRIC TONS/ YEAR PAST THREE YEARS ACCOUNTING FOR JUST UNDER ONE PERCENT MINERAL REVENUES, OR ABOUT KWACHA 4.5 MILLION PER YEAR. THOUGH GRZ INTEREST SOMEWHAT MARGINAL, NOTE PROBABLY ALSO GESTURE SOLIDARITY WITH OTHER COBALT PRODUCERS, FOR EXAMPLE ZAIRE.

7. FOR PREPARATION OF REPLY, EMBASSY WOULD APPRECIATE FACTS ON COBALT DISPOSAL IN ADDITION TO DATA ALREADY PROVIDED STATE 70359, 70360, 70364 AND 70367.
WILKOWSKI

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*** Current Classification *** CONFIDENTIAL

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